

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY VIENNA

INFO USMISSION EC BRUSSELS

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USMISSION GENEVA

USDEL MTN GENEVA

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C O R R E C T E D C O P Y ( O M I T T E D T E X T P A R A 2 S U B - P A R A 7 )

E.O. 11652: N/A

TAGS: ETRD

SUBJECT: SPECIALTY STEEL -- AUSTRIAN AIDE MEMOIRE

1. ON FEBRUARY 18 AUSTRIAN AMBASSADOR HALUSA CALLED ON ASSISTANT SECRETARY GREENWALD TO DELIVER FOLLOWING AIDE MEMOIRE. HE NOTED, IN ADDITION, THAT AUSTRIAN EXPORTS HAD FALLEN DISASTROUSLY IN 1975 AND THE U.S. TRADE BALANCE HAD IMPROVED. HE NOTED THAT WE HAD SOLVED OUR OTHER DIFFICULTIES WITH CHEESE AND OTHER PRODUCTS AND EXPRESSED  
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THE HOPE THAT ALLOY TOOL STEEL, A TRADITIONAL AND STABLE EXPORT FOR AUSTRIA, COULD BE HANDLED IN THE SAME MANNER.

ASSISTANT SECRETARY GREENWALD ASSURED THE AMBASSADOR THAT THE VIEWS OF THE AUSTRIAN GOVERNMENT WOULD BE TAKEN FULLY INTO ACCOUNT AS THE ADMINISTRATION ADDRESSED THE PROBLEM OF SPECIALTY STEEL.

2. BEGIN TEXT OF AIDE MEMOIRE.

BY DECISION OF JANUARY 16, 1976, THE US INTERNATIONAL TRADE COMMISSION HAS DETERMINED THAT CERTAIN SPECIALTY STEEL PRODUCTS BEING IMPORTED INTO THE UNITED STATES ARE CAUSING OR THREATEN TO CAUSE SERIOUS INJURY TO UNITED STATES INDUSTRY. THE COMMISSION HAS RECOMMENDED THAT

QUANTITATIVE LIMITATIONS BE IMPOSED ON IMPORTS FOR THE MAXIMUM STATUTORY TIME PERIOD OF FIVE YEARS TO REMEDY THE SITUATION.

THE AUSTRIAN SPECIALTY STEEL INDUSTRY HAS BEEN A STEADY SUPPLIER TO AMERICAN CONSUMERS FOR A PERIOD GOING MUCH BEYOND THE TIME FRAME CONSIDERED IN THE ABOVE MENTIONED DECISION. IN THE ALLOY TOOL STEEL FIELD, WHERE ITS SUPPLIES ARE CENTERED, THE AVERAGE FIGURE OF AUSTRIAN SALES ON THE AMERICAN MARKET IN THE SECOND HALF OF THE SIXTIES STOOD CONSIDERABLY ABOVE THE AVERAGE FOR THE FIRST HALF OF THE SEVENTIES. IN FACT, THE FIGURE OF 3995 TONS ACHIEVED IN 1966 WAS THE HIGHEST OVER THE LAST TEN YEARS AND BY FAR TOPS THE 2631 TONS REACHED IN 1974 WHEN, BY IMPLICATION, IT SUPPOSEDLY CONTRIBUTED TO THREATEN THE DOMESTIC INDUSTRY.

EXPORTS ARE A VITAL NECESSITY TO THIS HIGHLY SPECIALIZED SECTOR OF AUSTRIAN INDUSTRY AND INDEED A PREREQUISITE FOR THE PARTICIPATION OF A RELATIVELY SMALL COUNTRY IN AN INTERNATIONAL ECONOMIC SYSTEM BASED ON DIVISION OF LABOR AND SPECIALIZATION. THE AUSTRIAN GOVERNMENT IS CONCERNED THAT THE RESTRICTIONS RECOMMENDED BY THE ITC WOULD HAMPER LONGSTANDING TRADE RELATIONSHIPS AND MIGHT FURTHERMORE BE USED AS A PRECEDENT LEADING TO THE EROSION OF ONE OF THE PRINCIPLES UNDERLYING THE PRESENT PATTERN OF TRADE  
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THAT HAS PROVEN BENEFICIAL TO ALL PARTICIPANTS.

IT MIGHT BE ENLIGHTENING AT THIS POINT TO COMPARE THE FIGURES OF OVERALL AUSTRIAN EXPORTS TO THE UNITED STATES IN 1975 WHICH, COMPARED WITH THE PRECEDING YEAR, DECLINED SOMEWHERE AROUND 30 PERCENT, WITH UNITED STATES SURPLUS IN ITS BILATERAL TRADE WITH AUSTRIA REACHED US\$ 85 MILL. IN 1975, AND EIGHTFOLD INCREASE OVER 1974 (WITH TOTAL UNITED STATES EXPORTS ROUGHLY AROUND US\$ 260 MILL.). IN THE TIME PERIOD BETWEEN 1971 AND 1975, THE AUSTRIAN

SHARE OF UNITED STATES IMPORTS DECLINED FROM 4 1/2 PERCENT TO 2 1/2 PERCENT. WHILE A LARGE PORTION OF AUSTRIA'S DEFICIT IN ITS BILATERAL TRADE WITH THE UNITED STATES MIGHT BE ATTRIBUTABLE TO MODIFICATIONS IN THE EXCHANGE RATE BETWEEN THE TWO NATIONAL CURRENCIES, IT WOULD COME AS A PARTICULAR HARDSHIP IF THIS DISEQUILIBRIUM WERE COMPOUNDED BY ADMINISTRATIVE MEASURES.

THE OVERALL PICTURE OF THE UNITED STATES TRADE BALANCE FOR 1975 SHOWS A SUBSTANTIAL SURPLUS INDICATING THAT THE PRESENT SYSTEM OF INTERNATIONAL TRADE HAS CONTRIBUTED TO DAMPEN A RECESSION WHICH, HAD IT NOT BEEN FOR THE FAVORABLE TRADE BALANCE, WOULD UNDOUBTEDLY HAVE BEEN WORSE.

THE RECESSION HAS HIT OTHER INDUSTRIAL COUNTRIES IN ESSENTIALLY THE SAME WAY AS THE UNITED STATES AND GOVERNMENTS HAVE BEEN AND ARE BEING URGED BY DIFFERENT SECTORS OF THEIR ECONOMICS TO TAKE RELIEF MEASURES. AMONG THE SUGGESTED RELIEF MEASURES IMPORT RESTRICTIONS RAK HIGH.

YET, IF INDUSTRIES EXPERIENCING CYCLICAL DIFFICULTIES DUE TO THE IRREGULAR GROWTH RHYTHM OF THE ECONOMY, WERE ALLOWED AN EASY WAY OUT THROUGH CURTAILMENT OF FOREIGN COMPETITION, THE ACHIEVEMENTS OF DECADES OF LIBERALIZATION WOULD BE JEOPARDIZED. TO PREVENT THIS FROM HAPPENING AND WITH THE SITUATION OF THE 1930S IN MIND THE OECD MEMBER STATES COMMITTED THEMSELVES TO WHAT IS REFERRED TO AS THE OCED TRADE PLEDGE.

STIFLING OF FOREIGN COMPETITION, WHILE POSSIBLY BRINGING  
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SHORT TERM GAINS TO A PARTICULAR INDUSTRY, SHOULD ALSO BE WEIGHED AGAINST THE LONG-TERM DRAWBACK FOR THE CONSUMER HAVING TO PAY HIGHER PRICES.

IN VIEW OF THE FOREGOING THE AUSTRIAN EMBASSY WOULD LIKE TO EXPRESS THE HOPE THAT A DECISION WILL BE TAKEN WITH REGARD TO THE IMPORT INTO THE UNITED STATES OF SPECIALTY STEEL WHICH KEEPS IN PERSPECTIVE THE WIDER AND LONG-RANGE IMPLICATIONS OF THE PROBLEM.

WASHINGTON, D.C.

END TEXT. INGERSOLL

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